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# **National Intelligence Bulletin**

State Dept. review completed

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November 18, 1975

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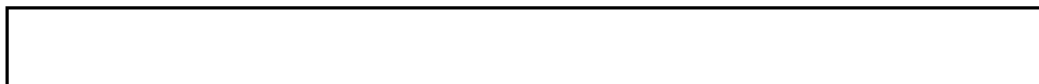
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### SYRIA

UN officials in charge of administering UN disengagement forces in the Middle East believe that Syria will renew the mandate of the observer forces stationed on the Golan Heights, due to expire on November 30.

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Lieutenant General Silasvuo, the UN Coordinator of Middle Eastern Peacekeeping Operations, had come away from talks last week with Syrian Defense Minister Talas and chief of staff Shihabi so convinced that Syria would extend the mandate that he has advised Secretary General Waldheim that he need not make a special visit to Damascus at this time.

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A local journalist has informed the US embassy that she had learned the same thing. She claimed that Syrian Deputy Foreign Minister Rafai had said Baath Party leaders had decided a week ago to renew the mandate. A Beirut newspaper also reported last weekend that Syria would extend the mandate, but for only two months.

President Asad and his advisers may privately have concluded now that Syria has no alternative to renewing the mandate. Nevertheless, we are puzzled by these reports, since we still expect the Syrians to withhold formal approval until the last moment in hopes of obtaining some diplomatic quid pro quo from the US and Israel.

Asad is on record as saying that the renewal of the mandate would have no particular importance because Syrian forces would not hesitate to go right through the UN observer forces if Syria decided to go to war. Such reasoning could be used for domestic purposes as a rationale for extending the life of the mandate for up to six months.

Meanwhile, the situation has been quiet along the disengagement line, and there has been no further reporting on Syrian military movements or preparations for any kind of military action.

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### USSR-EGYPT

A Soviet delegation is scheduled to arrive in Cairo today to continue talks on rescheduling Egypt's debt to the USSR. It seems unlikely, however, that a conclusive agreement will be reached.

Soviet Deputy Foreign Trade Minister I. T. Grishin will pick up the discussions where they left off in Moscow last summer. At that time, the Soviets had said they would study Cairo's proposals. President Sadat has claimed that the total Egyptian debt to the USSR is \$4 billion.

The Egyptians want a ten-year moratorium and the right to make future payments in goods rather than in hard currency. The Soviets apparently will come up with some counterproposals, but they probably will fall far short of meeting Egyptian demands. The Soviet deputy chief of mission in Cairo, for example, recently indirectly suggested to his US counterpart that Moscow might propose rescheduling up to 50 percent of Egypt's economic debt, which totals at least \$500 million; he would not talk about the larger debt on military purchases.

By continuing the debt discussions, Moscow hopes to suggest flexibility in its position and to indicate that responsibility for any further deterioration in relations rests with President Sadat. The Soviets seem intent on maintaining their economic and military pressure on Cairo until Sadat makes some specific political gesture to Moscow's liking.



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### UK-EGYPT

US embassy officials in London report that no major arms deals were concluded between the UK and Egypt during President Sadat's early November visit to Britain.

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Following the visit, both British and Egyptian officials have said that press reports of a pending Egyptian purchase of 200 supersonic Jaguar fighters were inaccurate. According to these sources, the press greatly exaggerated the immediate likelihood of a Jaguar deal as well as its size. US embassy officials believe the British Defense Ministry is in favor of such a deal and is pushing the cabinet to authorize further negotiations.

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Official policy will apparently continue to be one in which each sale will be reviewed individually to determine its potential effect on the military balance in the Middle East.

This policy undoubtedly is of concern to Cairo, although the Egyptians appear confident that they will obtain some sophisticated equipment from the UK. In any case, the Egyptians do not want to become too heavily dependent on British arms because they are worried that the UK may again cut off arms deliveries if there is another Middle East flare-up.

The Egyptians may be more interested in package deals that include weapons assembly and local production under British license.

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Egypt has been negotiating with Great Britain for some time to produce under license the Hawk advanced jet trainer and the Anglo-French Lynx helicopter. The Hawk would be a better initial choice than the Jaguar if the Egyptians are seriously interested in producing an advanced fighter aircraft. The Hawk is an excellent trainer with good ground-attack capabilities that could be built using less sophisticated technology than that required to build the Anglo-French Jaguar. The Jaguar strike fighter, however, would give Egypt a much greater military capability, but any licensed production program for this highly sophisticated aircraft would require considerably more direct Anglo-French assistance and for a longer period of time.

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Earlier this year, the British appeared close to concluding a Hawk deal with the Egyptians, but in recent months the French have been pressing hard to sell Cairo the Franco-German Alpha Jet, an aircraft similar to the Hawk. Sales competition for the Arab dollar, especially between the UK and France, is intensifying, and Sadat undoubtedly realizes that he is in a good bargaining position.

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### THAILAND

Thailand continues to resist demands by Laos and Vietnam for the return of US aircraft flown to Thailand just before the communist take-overs in Vientiane and Saigon.

A high-level Thai government official has privately assured the US embassy that Foreign Minister Chatchai was not speaking for the Thai government two weeks ago, when he claimed that Bangkok had decided to return US aircraft to Laos. Chatchai's failure to raise the question subsequently is a further indication that he has been overruled by Prime Minister Khukrit. Despite continuing communist pressure, the Thai government so far still holds that the disposition of the aircraft is a matter for bilateral settlement between the US and Laos and Vietnam.

The Vietnamese, perhaps judging that Bangkok is committed to a policy of eventual accommodation with its communist neighbors, seem prepared to hold to their uncompromising position until the Thai give in. In a November 13 commentary, Hanoi sharply attacked a recent statement by Prime Minister Khukrit arguing that the aircraft issue not be made an obstacle to friendship between Thailand and Vietnam.

Although Hanoi clearly at this time is making the aircraft issue the main point of attack in this test of wills, the Vietnamese also seem to sense an opportunity to pressure Bangkok to abandon its general policy of cooperation with the US on security matters. The commentary listed a number of other obstacles flowing from Bangkok's "US-serving policy," including the presence of a US radar base in Thailand and U-2 flights from Thai territory.

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### PORTUGAL

Portuguese Prime Minister Azevedo is said to be preparing to make some changes in his government, probably at the sub-cabinet level. He is apparently reacting to the recent Communist-led anti-government demonstrations.

According to press reports yesterday, Azevedo discussed possible changes with Socialist Party leader Mario Soares. An aide to Soares said earlier that a new cabinet might be formed, excluding both the center-left Popular Democrats and the Communists. Later reports indicate the changes being considered do not involve any first-line officials.

Changes of sub-cabinet officials could be significant if they involve the politically sensitive Labor or Social Communications ministries, which have borne the brunt of the Communist offensive. The Communists have sought to halt the attempt by Labor Minister Tomas Rosa to eliminate their influence and to assist non-Communist labor leaders in wresting control of key labor unions from the Communists.

An announcement issued yesterday by the Prime Minister's office could foreshadow possible changes in Rosa's ministry. The announcement disavowed a speech by Rosa at a pro-government demonstration in Viseu on Sunday, in which he implied that the government would not honor wage increases granted last week. Rosa was substituting at the demonstration for Azevedo.

Attempts by the Social Communications Ministry to reduce Communist influence in the media also are under attack. Two weeks ago, Communist-led workers held a high Information Ministry official, Ferreira da Cunha, hostage overnight to protest such reforms. Ferreira da Cunha may, in fact, be one of those about to be replaced.

A reshuffle in these ministries might mollify the opposition temporarily and possibly buy the authorities some time, but it would be unlikely to have any sustained effect on the Communists' drive to gain greater representation in the government and in the ruling Revolutionary Council.

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### MOROCCO

In a low-key speech yesterday on the 20th anniversary of Morocco's declaration of independence, King Hassan proclaimed a victory for Morocco in Spanish Sahara.

Obviously appealing for support at home, Hassan repeatedly praised his countrymen for participating in the green march and helping return Spanish Sahara to Morocco without bloodshed. He praised the heroism of the armed forces and said they would continue to play an important role in defending Moroccan gains.

In regard to Spanish Sahara, the King promised a major development effort that would require investments above and beyond the revenues received from the phosphate deposits. He did not provide further details, however, about the trilateral agreement worked out last week with Spain and Mauritania. All three countries seem to be withholding the terms of the agreement until the Spanish parliament acts on decolonization.

Departing from the Saharan issue, Hassan referred—without mentioning a date—to holding the national election in Morocco that he had postponed last March pending resolution of the Saharan dispute.

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### PANAMA

The US embassy reports that there is surface tranquility in Panama on the eve of the next canal treaty negotiating round.

Panamanians obviously expect little if any substantive progress in the talks before the 1976 US elections. The controlled press and public statements by Panamanian negotiators have been increasingly blunt in this regard. The embassy also reports that many of Panama's treaty advisers are privately discouraged about maintaining a favorable negotiating climate for an extended period. Further complicating the situation, hard-liners are vying with more moderate treaty advisers for Panamanian strongman Torrijos' ear, with the former recommending closer relations with the socialist world and increased pressures on the US.

Despite the backstage jockeying, public signs of tension have abated in recent weeks. Torrijos has bent considerable effort toward mending political fences with the business community, encouraging officially sponsored dialogue, and sacking a labor minister with an anti-management reputation. Students, always potentially explosive, have quieted since their stoning of the US embassy in September.

[REDACTED] [REDACTED]  
[REDACTED] The Panamanian treaty proposals presented in Washington on October 29 reflected little movement toward the last US compromise positions.

The Panamanian consensus would appear to be that, given US domestic political considerations, little will be lost by digging in for the next year on the substantive treaty matters most important to them. While for domestic political reasons it will be important to provide for the semblance of ongoing talks—if not substantive progress—building international support will be the primary focus over the next year. Thus the advisers who counsel pillorying the US in international forums and strengthening socialist ties are likely to gain the upper hand over the moderates.

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### MEXICO-GUATEMALA

President Echeverria's assertion that Mexico has rights to Belizean territory complicates the Belize issue for Guatemala.

Echeverria made the statement during his three-day visit to Guatemala late last week. Instead of reiterating his remarks of last month in support of Guatemala's claim, Echeverria surprised his hosts by referring to an old treaty staking out a Mexican claim to a portion of northern Belize. The Mexican leader said his country does not propose to fight for its claim, but will present it "upon resolution of Guatemala's problem with Belize."

Guatemala probably does not expect that Mexico would intervene militarily if Guatemala went to war over Belize. It probably suspects, however, that Mexico would lodge its claim in connection with any negotiations with Britain involving Belizean territorial concessions.

Guatemalan reaction to the British reinforcements dispatched to Belize early this month has thus far been restrained, although the Guatemalans are concerned that incidents with British forces patrolling the border could occur and lead to a serious clash. British forces in Belize, numbering about 1,100 troops plus six Harrier attack aircraft—which are vastly superior to any Guatemalan aircraft—can defend all but remote jungle areas of Belize.

Faced with the strong probability that a military action with even a limited objective would fail, the Guatemalans are seeking a solution through negotiations with the UK. The Guatemalans are looking for some British gesture indicating that meaningful negotiations are a distinct possibility.

If the British do not offer a face-saving device, the risk of a military conflict will increase. Over the weekend, Guatemalan Foreign Minister Molina was quoted by the press as saying his government does not exclude the possibility of armed conflict.

The Belize resolution sponsored by the UK and Caribbean nations should come to a vote at the committee level in the UN this week, possibly today. Guatemala expects the resolution to pass by a large margin.

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### ICELAND-UK

The third round of negotiations on a new fishing agreement ended in a stalemate on November 17, and no further talks have been scheduled.

Both countries tried first to resolve their differences over the size of the allowable catch. Last weekend, Iceland officially offered for the first time to raise the limit of the annual catch from 50,000 to 65,000 tons. The UK, however, proposed to reduce its catch only to 110,000 tons from the 130,000 tons allowed under the two-year agreement that expired on November 13. Following secret talks earlier last week, an Icelandic official appeared hopeful that the British might accept a limit of 80,000 tons, but his superiors later rejected this figure as too large.

The Icelandic coast guard reportedly will only gradually enforce the nation's unilaterally declared 200-mile fishing limit. Icelandic authorities estimated that about 50 British trawlers were fishing "illegally" as of November 14, and coast guard patrols ordered many out of the area. The first incidents since the expiration of the old pact occurred on November 15, when patrol boats cut the lines of two trawlers fishing within the old 50-mile limit.

There is strong opposition within Iceland to conciliatory moves by the coalition to permit foreign fishermen to operate within the 50-mile limit, which includes the richest fishing grounds. Two editorials last week in the official organ of the Prime Minister's own party, however, began to try to prepare the public for a compromise in the negotiations with the UK, West Germany, and others. The editorials noted that Iceland lacks the strength to enforce its claims, and argued that experience had demonstrated that more was to be gained through bargaining than by intransigence.

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### WEST GERMANY - USSR

West German officials describe the visit by President Scheel and Foreign Minister Genscher to the Soviet Union last week as a "modest success" for both sides.

Neither Bonn nor Moscow anticipated substantive breakthroughs, and apparently little progress was made toward resolving outstanding bilateral issues. The West Germans appear content that no controversies arose and that the Soviets were friendly and relaxed throughout.

The highlight of the visit was a meeting on November 11 between Soviet party leader Brezhnev and the two West German officials. Brezhnev told them that the 25th Soviet party congress in February will confirm that Moscow intends to continue to pursue detente. This is the first time that Brezhnev has given such an assurance regarding the party congress. His remarks were clearly meant to quiet speculation that major changes in Soviet foreign policy will come out of the congress. The West Germans found Brezhnev appearing to be in good health.

The two sides discussed bilateral problems, particularly concerning West Berlin's inclusion in three pending agreements, but did not resolve their differences. Bonn had taken care beforehand not to raise hopes that marked progress would be made toward solving outstanding problems. On his return from the Soviet Union, Scheel stressed that West German - Soviet relations must be viewed from the long-term rather than the short-term prospective.

Scheel raised the topic of implementing the understandings reached at the summit of the European security conference, particularly those involving humanitarian measures such as reuniting divided families. *Pravda* did not publish Scheel's public comments on this issue, but neither did the Soviets publicly rebut him, in contrast to the handling of similar remarks by French President Giscard during his visit in October.

The Soviets launched an extensive discussion of the Middle East. President Podgorny reportedly said that Moscow is not opposed in principle to partial steps toward resolving problems, but expressed the fear that Syria and Egypt would become impatient and that this might lead to renewed conflict. The Soviets requested the West Germans to permit the Palestine Liberation Organization to open an office in Bonn, but the West Germans refused.

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### USSR

Soviet gold sales of 75 metric tons during the first seven months of 1975 have just been confirmed. They were made on the Swiss market and earned Moscow some \$400 million. For the year as a whole, Moscow may earn \$1 billion from the sale of about 200 tons of gold.

Rumored sales of some 50 tons of gold at midyear directly to Middle East buyers have not been confirmed, although a spokesman of the Soviet-owned Moscow Narodny Bank in London admitted to "some" sales there. If true, they could have earned Moscow an additional \$265 million.

Gold sales were particularly heavy in June and July, when 26 and 33 tons were sold respectively. It is likely that comparably heavy sales continued into August, when prices remained high. By then, Soviet hard-currency requirements were well known because of a looming record trade deficit. August sales could have earned Moscow another \$100 million.

There are unconfirmed reports of small gold sales in early September by the USSR, in spite of declining prices following the International Monetary Fund's decision to sell some of its gold holdings. Any sales probably would have been very small, and it is likely that the Soviet Union got out of the market when prices continued to plunge.

Moscow probably reentered the market in October when gold prices recovered and appeared to stabilize at around \$145 per troy ounce. Sales of about 20 tons per month through the end of the year—a reasonable estimate based on past Soviet sales and assuming stability in the gold market—could earn Moscow another \$275 million. If the market allows, Moscow will sell even more.

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### CHINA-BURMA

The Chinese appear to be highly satisfied with Burmese President Ne Win's visit to Peking last week, his first since 1971.

In a joint communique issued Saturday, the Burmese added their name to the growing list of Asian countries that support Peking's dark view of Soviet intentions in the area. Rangoon agreed not to participate in "any military alliance" directed against the Chinese, an obvious reference to Moscow's proposed Asian collective security pact. Vice Premier Teng Hsiao-ping, in a welcoming speech for Ne Win earlier in the week, had connected the collective security scheme with Moscow's "wild ambitions" in the region.

More important, Ne Win also expressed opposition to countries that seek "hegemony" in any part of the world, a formulation that is directed against the Soviets.

What the Burmese received in return for these gestures is not entirely clear. Chinese support to the communist insurgents in northeastern Burma is the one bilateral issue Rangoon seems most anxious to resolve, and Ne Win clearly planned to discuss the matter in Peking. In recent months, the Burmese have taken a number of steps that seem designed to signal their good intentions to Peking, probably hoping that these gestures would engender a more conciliatory Chinese response on the insurgency question. For example, Burma switched its position on the Korea question in the UN and voted for the Chinese-supported pro-Pyongyang resolution last month. The Burmese also cracked down recently on pro-Taipei organizations in Burma.

The communique includes a statement that neither side will "carry out acts of aggression" against the other, but it is doubtful that the Chinese made any specific promises to reduce current levels of support to the insurgency, an activity the Chinese have always insisted was nonofficial and outside the sphere of state-to-state talks.

It seems reasonable that Peking, as part of its effort to get an identity of views on Soviet "expansionism" in Southeast Asia, would attempt to satisfy Ne Win's minimum requests on the insurgency question. The Chinese may have used a formulation similar to the one recently used with other Asian leaders—a generalized promise not to meddle in Burma's internal affairs.

The Chinese also agreed during the Ne Win visit to expand trade and technical cooperation with Burma. No details of the agreement have been released.

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CHINA - NORTH KOREA: The Chinese have made clear their unhappiness with the heavy-handedness of the North Koreans in suspending diplomatic relations with Australia. As the Australians prepared to leave Pyongyang, the Chinese ambassador approached the Australian group and in full view of disapproving Korean officials shook hands with each of them. The Chinese also made a special effort to facilitate issuance of Chinese visas to the Australians, who traveled through Peking on their way back to Australia. Although Peking will not make a major issue of the incident with Pyongyang, the Chinese almost certainly hope to make it clear to the Australians—and probably other countries—that they played no part in Pyongyang's over reaction and, in fact, disapproved.

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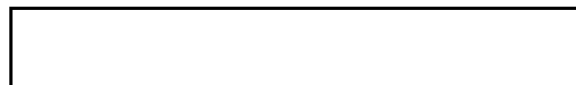
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